COMMUNITY EMPLOYERS WA

25 November 2013

Mr Tony Shepherd AO
Chairman
National Commission of Audit
CANBERRA, ACT 2600

Transmitted via email: submissions@ncoa.gov.au

Dear Tony,

RE: National Commission of Audit

The purpose of this submission is to provide Community Employers WA's (CEWA) comments on the National Commission of Audit.

CEWA is a registered Employer Organisation with the Industrial Relations Commission of Western Australia, and represents non-government, not-for-profit employers in the community services sector of Western Australia. CEWA now has 120 members comprising many of the largest and smaller Community Services Sector employers in WA, and continues to grow in numbers and influence. Our members employ in excess of 15,000 staff and are supported by over 10,000 volunteers.

For the purpose of this Commission of Audit submission, CEWA would like to focus on **seven** key areas:

Sustainability of Service provision

In undertaking the review of the Federal Government's budget, we believe it is critical that budget cuts are not made either directly to the NFP Community Services sector, or that impact indirectly on the capacity of the sector to deliver services efficiently and effectively.

It is widely accepted that the Community Services sector operates with a **high degree of efficiency and trust** across many areas of Australian society and in many cases, provides fundamental support to those most in need. Additionally, demand for the services provided by the NFP Community Services sector continue to increase at an estimated 7-8% per annum across many areas – from disability support, to mental health, homelessness and housing, just to name a few. Indeed many NFPs are stretched in the resources they have access to and the essential services they provide. If

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these were reduced at all, some would not survive and more importantly the people they support, would be adversely impacted.

Benefits of the NFP Community Services sector

The NFP Community Services sector is a **major provider of support to communities across Australia**. Many are mission based and have historical connections to faith organisations, to specific illnesses or needs in their local communities. The sole focus of not-for-profit organisations is to serve the community, and legally and constitutionally they are required to ensure that any assets they have are used for the benefit of the communities they serve. Consequently any investment in these organisations remains in the public and not the private domain. Their strength and often survival depends in part on the generosity of volunteers, benefactors and people with an interest in their raison d'etre. Their capacity to provide services may also be largely dependent on government funding, but the long term benefits they bring to the community and to broader Civil Society are much more significant than what can be provided in any other model.

That unity of purpose, the desire to pitch in and help, to work together for the common good is one we should never under-estimate and is a role that NFP Community Services organisations have undertaken for over 200 years in some cases**. It is imperative that the Government does not seek to diminish this** – either intentionally or unintentionally through a sole focus on costs, for to do so will run the grave risk of changing the fabric of Society and what brings us together to help those in need.

Procurement policies and practices must be wise and considered

As part of the review of costs, we understand and agree that the Government does need to ensure that taxpayers funds are being used judiciously and that there is clear accountability and transparency. However, there are other aspects which need to be considered as part of this process. **Procurement should not be solely about price, nor should it be just about scale**. We've seen examples over the years such as the privatising of child care, which have gone horribly wrong. As we know, the results whilst initially financially better, proved to be disastrous for all stakeholders, including government. The disruption to families, employees and the broader community was significant with increased child care costs and major damage to the reputations of all involved.

With community services, the people supported are often the most marginalised, have the least power or voice and the least capacity to source alternative support. They should not and cannot become subject to the vagaries of 'generating sound shareholder returns' for multi-nationals who choose to cherry pick contracts, or to 'exit' a service area or geographical location because it no longer suits their financial aspirations. We've seen this with the Jobs Network where many Community Services sector providers are now having to support the 'hardest cases' which have been largely ignored by the JSA providers.

The expansion of for profit operators in the area of community based, social services present a real threat to the ongoing viability of not for profit organisations and Civil Society as currently structured. It is hoped that in its deliberations the Commission will ensure that any decision intended to enhance the involvement of non-government organisations in the delivery of social

services doesn't inadvertently lead to a diminution of the effectiveness and efficiency of the not for profit sector. Procurement policies and practices in the Community Services sector should take into account broader aspects and consider some of the less immediately tangible benefits.

State vs Commonwealth service delivery

There is often debate in Western Australia about the benefits or otherwise of State vs Commonwealth funding. From a geographical perspective, it is generally simpler to deal with decision makers and those in government, within the State. Additionally at a State level, the NFP Community Services sector has worked closely with government, particularly in recent years, to strengthen the links between the Sector and the Government – ultimately benefiting people in need. Whilst the Commonwealth does have some locally based staff, reporting is generally to Canberra, and even the local staff are somewhat limited in their autonomy or ability to provide prompt guidance and support when asked.

CEWA would welcome **simplification of the State/Commonwealth involvement** in areas such as disabilities, mental health and child protection. Duplication currently exists in some areas and continues to expand into new areas. This can be confusing with regards to service delivery and can significantly add to the red tape and the wastage that occurs in additional administrative processes.

Invest in the short term to reduce costs in the longer term

A number of our members have emphasised the importance of considering the **need to invest in social services to reduce costs in the longer term**. An example of this is relationship counselling where the funding of counsellors can lead to greater awareness, understanding and acceptance by couples of the issues they face. This in turn often results in either couples getting back together or separating in a more amicable way. The costs of not providing a service such as this may include court costs, support as a result of mental health issues – depression and anxiety, job losses, housing costs or ultimately putting lives of affected parties at greater risk.

In a recent report from Family Relationship Service Australia, they stated:

"The family support sector welcomes the opportunity to show the value of the services it provides. In particular, the sector supports the principle of a worldwide movement from a 'welfare state' conceptualisation of social services as a form of protection or source of dependency, towards a ***'social investment state',*** *which recognises the interdependence of social inclusion and economic growth. Indeed the Business Council of Australia acknowledges that the nation's growth will require policies that lift the living standards of all Australians. During times of fiscal constraint, it is even more critical to understand the value gained from investing in social services, so that optimum prioritisation of spending can occur. If we do not make investments in family support services, we risk creating other costs for government and the taxpayer down the track."*

Financial modelling has been developed over the years which highlights that every $1 invested in early intervention saves $17 in future services in correction, health and mental health areas. Similar

examples can be provided for home care services, drug and alcohol support and many other services provided by the NFP Community Services sector where social services are not just about the provision of welfare, but also long term investment to improve the wellbeing of Australians.

Funding of NDIS - Mental Health Services should not be included

CEWA believes that **Mental Health services should not be included in the initial rollout of NDIS**. Our understanding of the current thinking is that the funds allocated to Mental Health Services will be swept into the NDIS funding, and we are very concerned that there won't be a commensurate increase in the provision of services through NDIS to the estimated 50,000 people with Mental Health issues due to the restrictions on qualifying criteria. One of the concerns of CEWA Members is that NDIS is an individualistic model, but many of the mental health programs are inclusive family based models. These programs will be lost if mental health is included in NDIS and there will be gaps in diagnostic thresholds. The episodic nature of Mental Health issues creates another complication for which NDIS is unlikely to be able to appropriately respond in a timely way.

Many of our members are Mental Health service providers and discussions at senior levels of the launch sites, and at advocacy groups, indicate that the Mental Health sector will be put under extreme pressure which will invariably flow on to hospitals and clinics across the country, if funding for Mental Health services is reallocated to NDIS. Indeed, some Western Australian psychiatric services are already struggling to cope with a wave of troubled and suicidal clients and their grave concern is that if funding is reduced or reallocated, the implications for the community could be significant and rapid.

This is a critical area for review by the Commission. The Assistant Minister for Social Services, Mitch Fifield has recently advised that the cost of NDIS when fully operational has increased to $22 billion with $8 billion to be funded by government. However this does not include providing the same level of support as currently exists, to people with Mental Health issues**. The cost will therefore either be higher, or people will not be supported. Neither outcome is sustainable, and until there is greater clarity of the costs and benefits, this funding transfer should not happen.**

Specific Red-Tape initiatives

We understand and support the Government's stated objective of reducing red-tape. The challenge is often in the detail – how and where can it be done. From CEWA's perspective, we would like to see a reduction in the compliance and reporting requirements set by government agencies. The NFP Community Services sector is one of the most trusted and respected sectors in Australia. Considerable oversight is already in place through Boards, the preparation of annual reports and accounts, auditors sign-offs, reporting to the tax department and the new reporting requirements of the ACNC. Significant resources are allocated to administrative reporting with substantial costs incurred by all NFP Community Services providers in gathering data for government on outputs, outcomes, acquittals, responsible authorities and the like. We believe the focus of reform needs to be placed on the commissioning agencies and their onerous reporting and acquittal requirements.

Consideration should be given to lengthening contract terms to 5 years and common maturity dates be set – some agencies have over 100 contracts, all with different maturity dates.

Conclusion

Community Employers WA welcomes the review of the Commonwealth spending and accepts the need for the Government to ensure the financial resources of the economy are allocated appropriately. However we also know first hand of the essential nature of the work undertaken by NFP Community Sector service providers. They are the organisations which help underpin the spirit of social justice, of support for the most marginalised and of creating a community which unites and builds on the sense of fairness and respect for the individual.

This sector cannot and should not be taken for granted. Many of these NFP organisations operate on very limited resources, on the goodwill of people in their local communities and on the capabilities and dedication of boards, volunteers and donors. They are highly skilled in the provision of services, in the use of government funding and initiating innovative ways of building a more sustainable society. The Community Services sector is highly efficient, effective and well able to further assist the government to provide services to the community. Such services are wise investments that reduce the long term costs to the Australian taxpayer.

We believe that there can be cost savings in the reporting to government, in the simplifying of tendering and administrative tasks and that there needs to be internal work within government to reassess their expectations of the Sector.

Yours sincerely,

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Co-Chair

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